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ABSTRACT

Current federal hiring problems result in processes that do not meet the needs of (1) agencies in achieving their missions, (2) managers in filling positions, and (3) applicants for a timely, efficient, transparent, and merit-based process. Federal human resources directors from the 24 major federal departments and agencies found time-to-hire a problem, with the estimated time to fill a competitive service position taking from 3 to more than 6 months. The Office of Personnel Management (OPM) has identified the following key problems with federal hiring processes: defining jobs and determining appropriate pay is complicated by classification processes and standards; unclear job announcements are confusing and serve as poor recruiting tools; a key assessment tool is ineffective; manual processes are time consuming; and the "rule of three" limits the choice of applicants. OPM's efforts to resolve these problems will be most effective when they transform agency hiring practices from process focused to mission focused. As part of its overall hiring initiative, the General Accounting Office recommends that OPM study how to improve, streamline, and reform the classification process; continue to assist agencies in making job announcements and Web postings more user friendly and effective; assist agencies in automating their hiring; and develop and help agencies develop improved hiring assessment tools. (Includes 6 appendices, 2 figures, and 3 tables.) (MO)

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United States General Accounting Office

GAO

Report to Congressional Requesters

May 2003

HUMAN CAPITAL

Opportunities to Improve Executive Agencies' Hiring Processes

ED 478 967

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Highlights

Highlights of GAO-03-450, a report to congressional requesters.

HUMAN CAPITAL

Opportunities to Improve Executive Agencies' Hiring Processes

Why GAO Did This Study

Improving the federal hiring process is critical, as the number of new hires is expected to increase substantially. Federal agencies are responsible for their hiring processes, but must generally comply with applicable Office of Personnel Management (OPM) rules and regulations.

Congressional requesters asked GAO to identify federal hiring obstacles, provide examples of innovative hiring practices, and identify opportunities for improvement. To address these issues, GAO interviewed the human resources directors in 24 largest departments and agencies, analyzed the hiring practices of five federal executive branch agencies, and reviewed OPM's role in the hiring process.

What GAO Recommends

As a part of its ongoing efforts to improve federal human capital management, OPM needs to reform the classification process, assist agencies in automating their hiring processes, develop and help agencies develop improved hiring assessment tools; and review the effectiveness of selected hiring authorities.

OPM and the agencies we studied provided comments on a draft of this report. OPM generally agreed with the conclusions and recommendations. The report was revised to reflect the agency comments.

www.gao.gov/cgi-bin/getrpt?GAO-03-450.

To view the full report, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

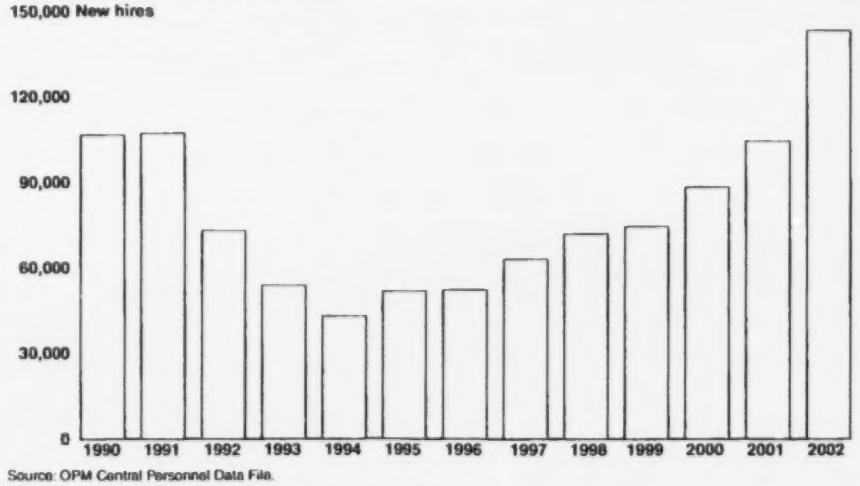
What GAO Found

There is widespread recognition that the current federal hiring process all too often does not meet the needs of agencies in achieving their missions, managers in filling positions with the right talent, and applicants for a timely, efficient, transparent, and merit-based process. Numerous studies over the past decade have noted problems with the federal hiring process. Nearly all of the federal human resource directors from the 24 largest federal agencies told us that it takes too long to hire quality employees. According to data compiled by OPM, the estimated time to fill a competitive service position was typically more than 3 months, with some human resources directors citing examples of hiring delays exceeding 6 months. The competitive hiring process is hampered by inefficient or ineffective practices, including defining a vacant job and pay that is bound by narrow federal classification standards, unclear job announcements, the quality of certain applicant assessment tools, time-consuming panels to evaluate applicants, and the "rule of three" that limits selecting managers choice of candidates. Equally important, agencies need to develop their hiring systems using a strategic and results-oriented approach.

GAO studied five agencies that human capital experts identified as having taken steps to improve parts of the hiring process—the U.S. Geological Survey, the Department of the Army, the U.S. Census Bureau, and the Department of Agriculture's Agricultural Research Service and Forest Service. Some of these practices might help agencies across government improve their hiring processes.

OPM recognizes that the federal hiring process needs reform and has a major initiative to study the federal hiring process. OPM's efforts will be most effective to the extent to which they help transform agency hiring practices from process focused to mission-focused hiring tools that are more closely integrated into agencies strategic plans.

Total Federal New Hires, 1990–2002



Source: OPM Central Personnel Data File.

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Abbreviations

ACWA	Administrative Careers with America
ARS	Agricultural Research Service
DOD	Department of Defense
FS	Forest Service
HR	human resources
MSPB	Merit Systems Protection Board
NAPA	National Academy of Public Administration
OPM	Office of Personnel Management
PACE	Professional and Administrative Career Exam
SES	Senior Executive Service
USGS	U.S. Geological Survey

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United States General Accounting Office
Washington, D.C. 20548

May 30, 2003

Congressional Requesters

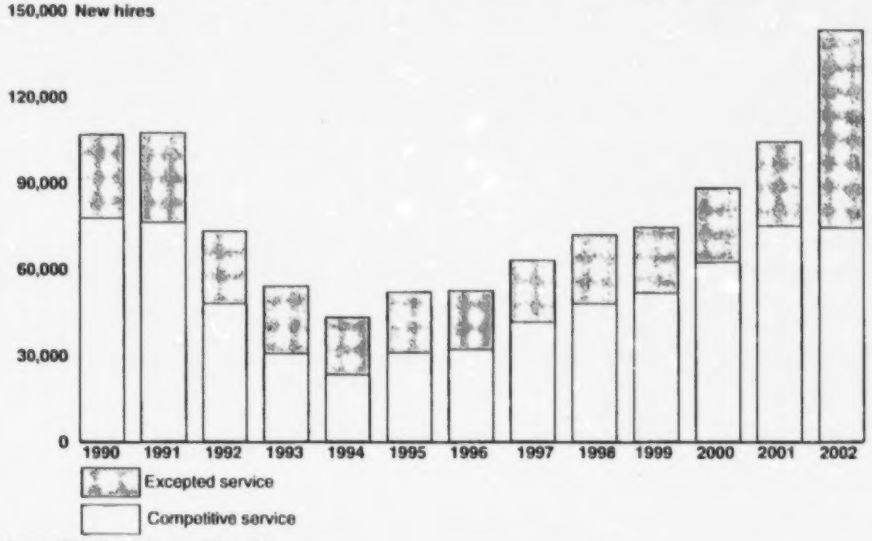
A high performance organization needs a dynamic, results-oriented workforce with the requisite talents, multidisciplinary knowledge, and up-to-date skills to ensure that it is equipped to accomplish its mission and achieve its goals. To acquire such a workforce and replace the huge cohort of federal employees eligible for retirement within the next 5-10 years demands that agencies have effective hiring processes so that they can compete for talented people in a highly competitive job market. Governmentwide, the number of federal new hires was about 50,000 a year in the mid-1990s, when many agencies were downsizing, but totaled more than 143,000 in fiscal year 2002.[1] The annual number of new hires could easily increase to more than 150,000 as agencies take actions to address the security needs arising from the terrorist attacks of September 11, 2001, and to fill vacancies created by the large number of employees expected to retire over the next few years. The fiscal year 2003 budget called for an additional 27,000 full-time equivalent civilian positions in the Executive Branch over fiscal year 2002.

Since 1996, the Office of Personnel Management (OPM) has delegated to federal executive branch agencies the authority to perform almost all hiring-related tasks; individual federal agencies control the way virtually all new hires are brought into their organizations.[2] Generally, people are hired into competitive service positions, excepted service positions, or the Senior Executive Service. As shown in figure 1, the majority of federal hiring is for competitive service positions, and most are filled through the competitive examination process, which is governed by statutes and OPM regulations. In fiscal year 2001, about 72 percent (75,000 of the 104,000) of jobs that were filled were staffed using competitive service hiring authorities. In fiscal year 2002, with the increased excepted service hiring of the Transportation Security Administration, the percentage of competitive service hires dropped to 52 percent (74,000 of 143,000).

[1] Much of the increase in federal new hires in 2002 was due to the hiring of baggage screeners and other personnel in the new Transportation Security Administration.

[2] This report discusses the hiring of new employees into the federal government and focuses on the competitive service hiring process. Agencies can also fill vacant positions using the merit promotion process within their agency or through transfers from other agencies.

Figure 1: Total New Federal Hires from Fiscal Years 1990 through 2002



Source: OPM Central Personnel Data File.

Note: Data are for new permanent full- and part-time hires based on information from OPM.

While recognizing the need for flexibility in hiring employees, the federal government seeks to ensure that appointments comply with the cornerstone of federal hiring—the merit principles. The examination process is one of the processes intended to ensure that merit principles are complied with and includes notifying the public that the government will accept applications for employment and assessing applicants' relative competencies or knowledge, skills, and abilities against job-related criteria to identify the most qualified candidates. The applicants for competitive service positions must generally compete against each other through the competitive examination process.

In response to your requests,[3] the objectives of this report are to

- identify major factors that hamper or delay the federal hiring process;

[3] This report was also done at the request of the Honorable Fred Thompson, former Ranking Minority Member, Senate Committee on Governmental Affairs.

- provide examples of innovative practices used by our selected agencies to improve their hiring processes; and
- identify opportunities for OPM, agencies, and others to improve the federal hiring process.

To address these issues, we interviewed and surveyed the human resources (HR) directors in the federal government's 24 largest departments and agencies. In addition to reviewing our own previous work, we reviewed several studies of federal hiring by OPM, the Merit Systems Protection Board (MSPB), the National Academy of Public Administration (NAPA), and others. In addition, we further analyzed the hiring practices of five executive branch agencies that had taken steps to improve their hiring processes: the Department of Agriculture's Agricultural Research Service (ARS) and Forest Service (FS), the Department of the Army (Army), the U.S. Census Bureau (Census), and U.S Geological Survey (USGS).[4] We also reviewed OPM's role in the hiring process and collected and analyzed data from OPM's Central Personnel Data File on the use of various hiring authorities. (See app. III for details on our scope and methodology.)

Results in Brief

There is widespread recognition that the current federal hiring process all too often does not meet the needs of agencies in achieving their missions, managers in filling positions with the right talent, and applicants for a timely, efficient, transparent, and merit-based process. Numerous studies over the past decade by OPM, MSPB, NAPA, the Partnership for Public Service, the National Commission on the Public Service, and GAO have noted problems with the federal hiring process. Nearly all of the federal HR directors from the 24 major federal departments and agencies reported that it takes too long to hire quality employees. Specifically, 21 of these HR directors said that the time-to-hire was a moderate to great problem. According to data compiled by OPM, the estimated time to typically fill a competitive service position was more than 3 months with some HR directors citing examples of hiring delays exceeding 6 months.

OPM and others have recognized that nearly all parts of the lengthy competitive hiring process are cumbersome and ineffective. Agencies have the primary responsibility for streamlining and automating their hiring

[4] We have also taken a number of actions to improve our hiring process, including strengthening our recruitment effort and automating our application and ranking process.

processes, but OPM also plays an important role in providing leadership and oversight of the merit-based employment system and helping agencies meet their hiring challenges. Both the agencies we studied and OPM have recognized that the hiring system needs improvement and have taken a number of actions. Table 1 below summarizes the key problems with the federal hiring process that we, OPM, and others have identified, and what actions are being taken to address them.

Table 1: Hiring Problems and Actions Under Way

The problem	Actions under way
Defining a job and determining the appropriate pay is complicated by the classification processes and standards, which are outdated and not applicable to the jobs and work of today.	OPM has revised the classification standards for several job series, including health care professions and law enforcement, to make them clearer and more relevant to current job duties and responsibilities. OPM points out that this is only a partial solution noting that the classification standards and process need to be reformed.
Unclear, unfriendly job announcements cause confusion, delay hiring, and serve as poor recruiting tools.	OPM has initiated an interagency project to modernize federal job vacancy announcements, including providing guidance to agencies to enhance announcements. OPM is seeking contractor support for its USAJOBS Web site to make it easier and quicker for people to find federal jobs and to enhance the site's "eye-catching" appeal.
A key assessment tool for evaluating applicants for Luevano Consent Decree[a] positions and related hiring programs is ineffective.	OPM's strategic plan states that by fiscal year 2005 governmentwide hiring selections are to be based on improved assessment tools.
Manual processes, including the convening of panels and the manual rating and ranking of applicants to determine best-qualified applicants, are time consuming.	Automating the hiring process can improve hiring timeliness and efficiency. USGS automated its hiring function resulting in a reduction of processing time, a reduction of 1,800 staff days of work, and an exponential increase in the number of applicants. Census also developed an automated hiring system for three critical occupations. In addition, OPM has developed an automated staffing system, USA Staffing, which can be purchased by federal agencies.
Numerical rating and ranking and the "rule of three" [b] limit the choice of applicants.	Congress passed the Homeland Security Act of 2002 that authorized agencies to use category rating in lieu of numerical rating and adherence to the "rule of three." Category rating was determined to be effective in a demonstration project conducted by the ARS and FS. OPM is currently drafting guidance implementing this new flexibility.

Source: GAO.

[a]The Luevano consent decree is a 1981 agreement that settled a lawsuit alleging that a written test, Professional and Administrative Careers Examination (PACE), had an adverse impact on African Americans and Hispanics. See *Luevano v. Campbell*, 93 F.R.D. 68 (D.D.C. 1981). The consent decree called for the elimination of PACE and required replacing it with alternative examinations. Eventually, OPM developed the Administrative Careers with America examination. The consent decree also established two special hiring programs, Outstanding Scholar and Bilingual/Bicultural, for limited use in filling former PACE positions.

[b]5 U.S.C. § 3318(a) requires the selecting official to select from among the top three ranked candidates available for appointment—this is the rule of three.

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The importance of OPM's success in its hiring initiatives is underscored by the results to our survey in October 2002, where HR directors had mixed views on whether OPM helped or hindered their agencies' hiring processes. A little less than half thought that OPM helped the hiring process. Many thought that OPM neither helped nor hindered the process and a few thought OPM hindered their hiring efforts. HR directors said that OPM needed to be a more active resource and enhance its role as a "clearinghouse" of information while providing more guidance and better expertise to agencies. This included assisting agencies in evaluating their internal hiring processes as well as completing more comprehensive evaluations of governmentwide hiring. As a part of this process, some agencies explained that OPM needed to provide information and "best practices" associated with automating the hiring process. They said it is also important that OPM address key hiring obstacles, including job classification, job announcements, manually rating candidates, and assessment tools, especially those tools associated with hiring for the more than 100 entry-level occupations covered by the Luevano Consent Decree.

More specifically, OPM's efforts will be most effective to the extent to which they help transform agency hiring practices from process focused to mission-focused hiring tools that are more closely integrated into agencies' strategic plans. Accordingly, as a part of its overall hiring initiative, we recommend that OPM

- study how to improve, streamline, and reform the classification process;
- continue to assist agencies in making job announcements and Web postings more user friendly and effective;
- assist agencies in automating their hiring processes;
- develop and help agencies develop improved hiring assessment tools; and
- review the effectiveness of the Outstanding Scholar and Bilingual/Bicultural Luevano Consent Decree hiring authorities.

OPM and the Department of Defense (DOD) provided written comments on a draft of this report, which are reprinted in appendices IV and V. USGS, Census, FS, and ARS provided technical comments that have been incorporated into the report.

OPM generally agreed with the conclusions and recommendations in the report. However, OPM expressed several concerns with our methodology. It believed the section on the classification and position description process could be misleading because the majority of jobs are filled without this step. We agree, but note that the more important problem with the classification process is that inaccurate position descriptions and related pay determinations that result from the job classification could hamper efforts to fill the positions with the right employees. OPM also believed that our draft missed an opportunity to hold agencies more accountable for their hiring processes. Throughout the draft, we note that agencies are primarily responsible for their hiring processes and provide concrete examples of what some agencies have done to improve their processes. OPM also provided several examples of actions it is taking to improve the hiring process. Finally, OPM questioned our methodology of meeting with agency HR directors to assess how well OPM is assisting agencies in improving their hiring processes. It believes that chief operating officers would provide a better perspective of agency recruiting and retention issues. While we agree these officials could provide some added overall perspective about the results of the hiring process, agency HR directors better understand and are responsible for their agencies' hiring processes.

DOD noted several areas where it believed that OPM needed to do much more to address governmentwide hiring problems. We agree that OPM should do more to improve governmentwide hiring and include several recommendations to OPM.

Background

The cornerstone of federal hiring is its merit basis. Congress has retained the principle of appointment by merit throughout its various amendments and compilations of civil service laws. In enacting the Civil Service Reform Act of 1978, Congress reiterated the importance of merit in hiring by including a merit principle, which requires that "[r]ecruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge, and skills, after fair and open competition which assures that all receive equal opportunity." [5] OPM is responsible for ensuring that the personnel management functions it delegates to agencies are conducted in accordance with merit principles and the standards it has established for conducting those functions.[6] In January 1996, OPM delegated examining authority, acting under the authority of Public Law 104-52, to federal agencies for virtually all positions in the competitive service. The delegated examining authority requires agencies to conduct competitive examinations that comply with merit system principles, other personnel-related laws, and regulations as set forth in OPM's Delegated Examining Operations Handbook.

Even though the majority of the civilian workforce obtained positions through the open competitive service examination process,[7] certain positions are in the excepted service and are excepted from the competitive examination process.

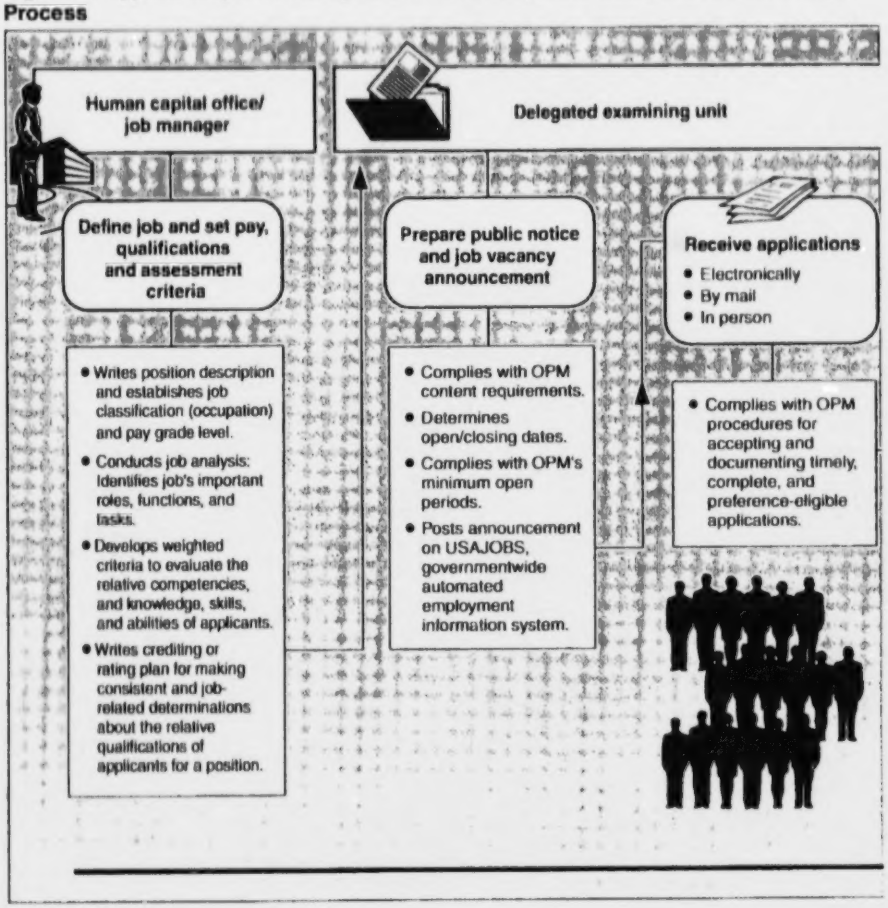
The competitive hiring process, which is described in more detail in appendix I, is shown in figure 2.

[5] 5 U.S.C. 2301 § (b)(1).

[6] 5 U.S.C. § 1104.

[7] Agencies may also fill vacant positions with current government employees through competitive merit promotion. The process is less complicated than competitive examination of outside hires because neither the rule of three that limits selection to the top three candidates nor veterans preference apply to merit promotions. Also, applicants are not ranked on the basis of their numerical scores. Merit promotion job certificates include all of the candidates determined to be among the best qualified, and managers can select from any of those candidates.

Figure 2: Typical Steps for Filling Vacancies through the Competitive Examining Process


Human capital office/ job manager
Delegated examining unit
Define job and set pay, qualifications and assessment criteria
Prepare public notice and job vacancy announcement
Receive applications
• Electronically
• By mail
• In person
• Writes position description and establishes job classification (occupation) and pay grade level.
• Conducts job analysis: identifies job's important roles, functions, and tasks.
• Develops weighted criteria to evaluate the relative competencies, and knowledge, skills, and abilities of applicants.
• Writes crediting or rating plan for making consistent and job-related determinations about the relative qualifications of applicants for a position.
• Complies with OPM content requirements.
• Determines open/closing dates.
• Complies with OPM's minimum open periods.
• Posts announcement on USAJOBS, governmentwide automated employment information system.
• Complies with OPM procedures for accepting and documenting timely, complete, and preference-eligible applications.

Source: GAO.

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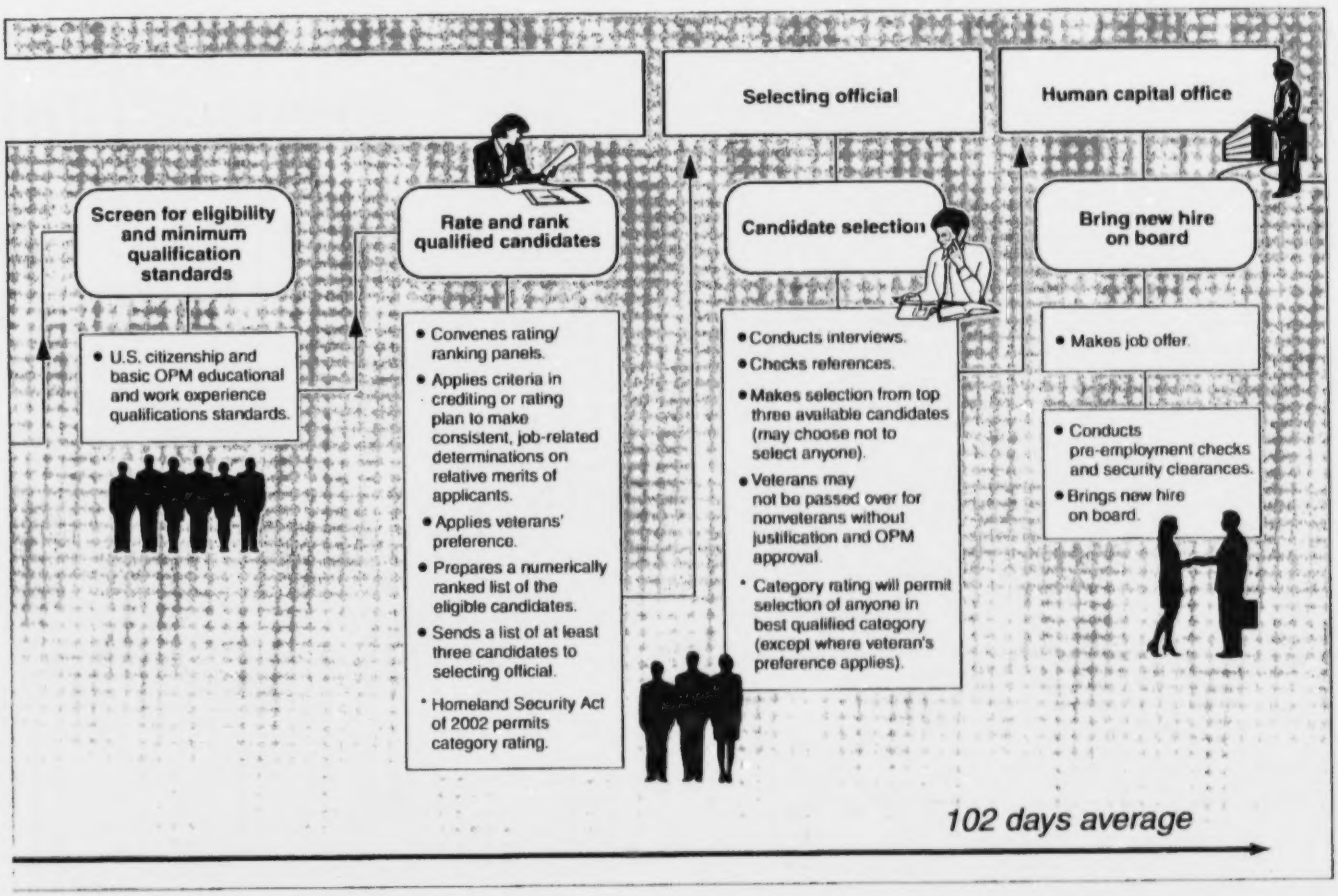
Selecting official
Human capital office
Screen for eligibility and minimum qualification standards
Rate and rank qualified candidates
Candidate selection
Bring new hire on board
• U.S. citizenship and basic OPM educational and work experience qualifications standards.
• Convenes rating/ ranking panels.
• Applies criteria in crediting or rating plan to make consistent, job-related determinations on relative merits of applicants.
• Applies veterans' preference.
• Prepares a numerically ranked list of the eligible candidates.
• Sends a list of at least three candidates to selecting official.
* Homeland Security Act of 2002 permits category rating.
• Conducts interviews.
• Checks references.
• Makes selection from top three available candidates (may choose not to select anyone).
• Veterans may not be passed over for nonveterans without justification and OPM approval.
* Category rating will permit selection of anyone in best qualified category (except where veteran's preference applies).
• Makes job offer.
• Conducts pre-employment checks and security clearances.
• Brings new hire on board.
102 days average

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The number of new hires increased substantially since the mid-1990s—increasing from about 50,000 employees in 1996 to over 143,000 employees in 2002. Hiring in the mid-1990s declined because many agencies were downsizing and did not need to fill positions. With the slowdown in downsizing and the increasing numbers of personnel retiring, agencies are increasingly hiring new employees. Prior to fiscal year 2002, about one-third of all hires were hired by DOD. In 2002, the largest federal hirer was the Department of Transportation, primarily the Transportation Security Administration.[8] Table 2 shows total new hires by department in fiscal year 2002.

Table 2: Fiscal Year 2002 New Hires by Department

Agency	Competitive service	Excepted service	Total
Department of Transportation	1,041	42,872	**43,913**
DOD	24,969	12,372	**37,341**
Department of the Treasury	16,924	943	**17,867**
Department of Veterans Affairs	6,399	3,994	**10,393**
Department of Justice	6,956	1,122	**8,078**
Department of Agriculture	4,327	1,161	**5,488**
Department of Health and Human Services	3,072	925	**3,997**
Department of the Interior	2,184	953	**3,137**
Social Security Administration	1,572	1,485	**3,057**
Department of Commerce	2,032	526	**2,558**
All others	4,753	2,550	**7,303**
Total	**74,229**	**68,903**	**143,132**

Source: OPM Central Personnel Data File.

The federal government's hiring is expected to continue to increase. In 2003, the President's budget called for approximately 27,000 additional full-time equivalent federal civilian workers in the executive branch. This follows a 36,000 increase in full time equivalent positions in fiscal year 2002.

[8] Since March 1, 2003, the Transportation Security Administration is part of the Department of Homeland Security.

Federal Hiring Is a Lengthy, Cumbersome Process

It is widely recognized both within government and the private sector that the federal hiring process is lengthy and cumbersome and hampers agencies' ability to hire the people they need to achieve their agency goals and missions. Numerous studies over the past decade by OPM, MSPB, NAPA, the Partnership for Public Service, the National Commission on the Public Service, and GAO have noted problems with the federal hiring process. Our October 2002 survey of HR directors at 24 major departments and agencies indicated that 21 of 24 said that the time needed to fill positions in their agencies was a moderate to very great problem. Moreover, directors at 13 of those agencies reported that the time to hire was a great to very great problem. Our October 2001 survey showed that 22 directors reported that time to hire was a moderate to great problem. Nearly all (22 of 24) of the HR directors we met with said the lengthy and cumbersome hiring process is a major factor that affects or increases the time needed to fill positions.

HR directors cited problems with the lengthy hiring process. For example, an HR director of a major federal department noted that thousands of applicants had responded to nationwide openings for a critical occupation at a number of locations. However, because it took so long to manually process the applications, only 1 in 20 of the applicants were still interested in the job when notified that they had been selected. Another HR director noted that many managers, supervisors, and job applicants do not understand the rules and procedures governing federal employment. She said that because of the lack of expertise and complicated process, the agency often loses out in competition with the private sector because of its inability to make timely job offers. Another HR director told us that a significant factor that hampers hiring is the paperwork-intensive hiring process that continues from application, rating and ranking of applicants and production of best qualified lists, through to the "17 forms" that a new hire must complete before being brought onboard.

Although, as noted above, nearly all HR directors and others note that the time to hire is too long for most federal hires. Comprehensive department or governmentwide data are not available; however, in fiscal year 2002, OPM compiled and analyzed data on time-to-hire and found that it typically took 102 days for agencies to fill a vacancy using the competitive process. OPM defined the time to hire time frame as the time between when the request to hire or fill a position was received in the HR office to the appointment of an applicant to the position. Additional time might be needed for a manager to obtain approval for the requested hiring action at

the beginning of the process or for the new employee to receive a security clearance at the end of the process.

Other organizations have noted problems with the lengthy cumbersome federal hiring process.

- In July 2002, NAPA reported that federal "hiring remains a slow and tedious process." The report noted that "Many managers are attempting to rebuild a pipeline of entry level employees in this very competitive labor market, yet current hiring methods do not keep pace with the private sector."[9]

- In September 2002, MSPB said that the federal hiring process has a number of key problems including "overly complex and ineffective hiring authorities" and "inadequate, time-consuming assessment procedures."[10]

- In November 2002, OPM in its strategic plan for 2002 through 2007 stated, " There is a general perception that our hiring process takes too long and may not provide well-qualified candidates."[11]

- In January 2003, the National Commission on the Public Service said, "Recruitment to federal jobs is heavily burdened by ancient and illogical procedures that vastly complicate the application process and limit the hiring flexibility of individual managers."[12]

[9] National Academy of Public Administration, *Summary of Human Resources Management Research for the National Commission on the Public Service* (Washington, D.C.: July 2002).

[10] U.S. Merit Systems Protection Board, *Making the Public Service Work: Recommendations for Change* (Washington, D.C.: September 2002).

[11] U.S. Office of Personnel Management, *Strategic Plan 2002-2007* (Washington, D.C.: November 2002).

[12] National Commission on the Public Service, *Urgent Business for America: Revitalizing the Federal Government for the 21st Century* (Washington, D.C.: January 2003).

Not only does the current hiring process not serve agencies and managers well as they seek to obtain the right people with the right skills, but applicants can be dissuaded from public service by the complex and lengthy process. According to a poll commissioned by the Partnership for Public Service, "many people view the process of seeking federal employment as a daunting one. Three-quarters of non-federal workers say making the application process quicker and simpler would be an effective way of attracting talented workers to government."[13]

As many of these and other studies have noted, and as many HR directors noted in our interviews, nearly all parts of the competitive hiring process hamper effective and efficient federal hiring. Key problem areas include the following.

- Outdated and cumbersome procedures to define a job and set the pay are not applicable to the jobs and work of today.
- Unclear, unfriendly job announcements cause confusion, delay hiring, and serve as poor recruiting tools.
- A key assessment tool and hiring programs used for several entry-level positions are ineffective.
- Convening panels and the manual rating and ranking of applicants to determine best-qualified applicants is time-consuming.
- Numerical rating and ranking and the "rule of three" limit the choice of applicants and are viewed as ineffective.[14]

OPM and the agencies we studied have taken steps to address some of these hiring obstacles. Specifically, five agencies we examined—USGS, Army, Census, ARS, and FS—took systematic and comprehensive approaches that helped to transform their process-oriented hiring systems to ones that are focused on meeting their agencies' goals and missions. The

[13] Hart-Teeter Research, *The Unanswered Call to Pubic Service: Americans' Attitudes Before and After September 11th* (Washington, D.C.: October 2001).

[14] As previously discussed, the Homeland Security Act of 2002 now permits category rating that expands the number of applicants that an agency official may choose from when filling a position. That rating approach should make the rating process less complex and time consuming than the numerical rating and ranking process.

USGS approach was to focus on automating its hiring process for all of its occupations, except research Senior Executive Service positions, in order to reduce hiring time, increase the number of applicants, and better serve its internal and external customers. Army's approach was a data-driven approach—Army developed automated tools to identify weaknesses in its hiring process and identified an approach to overcome them, including automation. Census's approach, in reaction to the need to quickly hire 500 specialists for the 2000 Census, was to work with OPM to jointly develop an automated hiring system for three mission-critical occupations and later to work toward integrating hiring for all its occupations into its parent organization's automated hiring system. And, as discussed later, OPM also identified hiring improvements as a critical goal in its strategic plan and has a multi-faceted hiring initiative under way. ARS and FS implemented a pilot project that demonstrated a more effective way to rate and rank candidates for positions.

The following sections describe each of these problems in more detail and discuss some specific actions under way by agencies and OPM to begin to address the problem.

Process of Defining the Job and Determining Pay Is Complex and Antiquated

The Problem

The process of defining a job and determining pay is complex and antiquated, according to HR directors and experts. Defining the job and setting pay must be based on federal job classification standards, which are set forth in the Classification Act of 1949.[15] The classification process and standard job classifications were generally developed decades ago when typical jobs were more narrowly defined and in many cases, were clerical or administrative. However, today's knowledge-based organizations' jobs require a much broader array of tasks that may cross over the narrow and rigid boundaries of job classifications. The federal job classification process not only delays the hiring process, but more important, the resulting job classifications and related pay might not match the actual duties of the job. This mismatch can hamper efforts to fill the positions with the right employees.

[15] 5 U.S.C. § 5101-5115.

Once management decides to fill a vacant position, or create a new position, the HR office is called upon to see if a position description exists. If a position description does not exist or is not accurate for the vacant position, a position description must be completed. Such a description documents the major duties, responsibilities, and organizational relationships of a job and includes, among others, the knowledge required for the position, supervisory controls, complexity and nature of the assignment, and the scope and effect of the work.

Once the job description is complete, the job is classified by matching the duties and responsibilities to the General Schedule requirements. The Classification Act of 1949 provides a plan for classifying positions and sets out 15 grade levels. The law expresses these grade levels in terms of the difficulty and level of responsibility for a specific position. OPM develops standards that must be consistent with the principles in the Classification Act of 1949. The classification system categorizes jobs or positions according to the kind of work done, the level of difficulty and responsibility, and the qualifications required for the position, and serves as a building block to determine the pay for the position. Today's knowledge-based organizations' jobs require a much broader array of tasks that may cross over the narrow and rigid boundaries of job classification standards and make it difficult to fit the job appropriately into one of the over 400 occupations. According to a recent OPM study, a key problem with classification is that, under present rules, characteristics such as workload, quality of work, and results are not classification factors.[16]

As reported in a January 2003 report of the National Commission on the Public Service, OPM's director has noted that "continued reliance on this antiquated system is comparable to insisting that today's offices use carbon paper and manual type writers."[17] Furthermore, NAPA in its July 2002 report for the National Commission on the Public Service concluded that classification and compensation systems must be based on work and

[16] U.S. Office of Personnel Management, *A Fresh Start for Federal Pay: The Case for Modernization* (Washington, D.C.: April 2002).

[17] National Commission on the Public Service, *Urgent Business for America: Revitalizing the Federal Government for the 21st Century* (Washington, D.C.: January 2003).

performance rather than position.[18] The NAPA panel recommendations included abolishing the General Schedule and developing a modern system for defining and valuing work, which could help to make the hiring process more results-oriented and efficient. The National Commission on the Public Service recommended that operating agencies need more flexible personnel management systems. The commission recommended abolishing the General Schedule and as a default position, recommended a broadband system under which the 15 pay grades and salary ranges would be consolidated into six to eight broad bands with relatively wide salary ranges.[19]

Actions Under Way

Some agencies have automated the complicated classification process to reduce the time it takes to carry out this task. For example, the Army created a centralized database that gives Army HR managers access to active position descriptions and position-related information to help with the classification process. In addition, OPM has revised the standards for several job series, including health care professions and law enforcement, to make them clearer and more applicable to the current duties and responsibilities of the occupations. But such steps are only partial solutions to the classification issue. OPM points out that the classification standards and process need to be reformed. Changes to the Classification Act of 1949 are needed to make fundamental changes to how jobs are defined and pay is set. Specifically, OPM believes that the time may have come for substantive reform that brings the era of the General Schedule classification system to a close. OPM recognizes the need to maintain the General Schedule in the absence of an alternative and well-managed transition to any new system.[20]

[18] National Academy of Public Administration, *Summary of Human Resource Management for the National Commission on the Public Service* (Washington, D.C.: July 2002).

[19] National Commission on the Public Service, *Urgent Business for America – Revitalizing the Federal Government for the 21st Century* (Washington, D.C.: January 2003).

[20] U.S. Office of Personnel Management, *A Fresh Start for Federal Pay: The Case for Modernization* (Washington, D.C.: April 2002).

Job Vacancy Announcement Content Cited as Hampering the Hiring Process

The Problem

Several HR directors we interviewed for this study cited the content of job announcements as a factor that hampered or delayed the hiring process. These HR directors noted that job announcements are frequently incomprehensible and make it difficult for applicants to determine what the jobs require, and therefore do not serve as effective recruiting tools. A February 2000 MSPB study stated that federal job announcements generally appeared to be written for people already employed by the government and that the use of jargon and acronyms is a common problem.[21] The study noted that some announcements were lengthy, difficult to read on-line, and only gave brief or vague descriptions of the duties to be performed. Vague job descriptions make it difficult for applicants to describe how their knowledge, skills, and abilities are related to the job. MSPB also noted that almost no announcements included information on retirement and other benefits, such as vacation time and medical and health insurance, which might entice people to apply. The study recommended that OPM and agencies improve how vacancy announcements are posted on the Internet. The report said making them more visually appealing, informative, and easy to navigate could also make announcements more effective as a recruiting tool. In a December 2002 report on federal vacancy announcements, MSPB reported that its review of the quality of 100 vacancy announcements posted on USAJOBS indicated that 53 percent were poor, 2 percent were good, while 45 percent were judged acceptable.[22] The problems in the vacancy announcements included poor organization and readability, unclear job titles and duties, vague or restrictive qualification standards, and the use of negative language or tone that might deter many qualified candidates.

Actions Under Way

Both agencies and OPM are taking some steps to address this problem. For example, the Department of Health and Human Services rewrote one of its typical vacancy announcements for budget analysts to make it more understandable and appealing to applicants outside the government.

[21] U.S. Merit Systems Protection Board, *Competing for Federal Jobs – Job Search Experiences of New Hires* (Washington, D.C.: February 2000).

[22] U.S. Merit Systems Protection Board, *Help Wanted: A Review of Federal Vacancy Announcements* (Washington, D.C.: December 2002).

Instead of the typical language such as "incumbent is responsible for monitoring the results of budget execution and formulation input from six regional budget offices in coordination with the controller," the announcement's language began with "For the energetic individual who wants a challenging career with growth and advancement opportunities, we have positions available that will challenge to you to grow and learn [and are on] the cutting edge of the nation's health and human service policy and provide vital information and support required by our policy makers." In addition, the job announcement was posted on a private sector job search site and in *The Washington Post* employment section. This approach garnered more than 100 qualified applicants per position, compared to 20 qualified applicants per position under the traditional announcements on USAJOBS Web site.[23]

To address unclear job announcements, OPM has initiated an interagency project to modernize federal job vacancy announcements, including providing guidance to agencies to enhance announcements, and instituting a multiprong approach to using e-government technology to assist job seekers and employees governmentwide. Specifically, OPM has improved the Web site to strengthen the job search engine, rewritten the USAJOBS by Phone system to improve speech recognition, and redesigned the way vacancy announcements appear on the Web site. Currently, OPM is seeking contractor support for its USAJOBS to make it easier and quicker for people to find federal jobs and to enhance the site's "eye-catching" appeal.

Key Assessment Tool and Related Hiring Programs Are Ineffective

The Problem

Several HR directors and human capital experts have found problems with candidate assessment tools, particularly those associated with filling entry-level professional and administrative occupations covered by the Luevano Consent Decree of 1981. In addition, both OPM and MSPB noted in studies that there is a need to develop new assessment tools for occupations and higher-grade levels that are not covered by the Luevano decree that are more efficient and valid predictors of future job performance. Primary responsibility for developing assessment tools rests with the agencies, but frequently agencies do not have the expertise or resources to develop them. In addition to problems found with assessment tools, two hiring

[23] Government Executive, *Hire Power* (Washington, D.C.: February 2002).

authorities set forth in the Luevano Consent Decree —Outstanding Scholar and Bilingual/Bicultural—may not be merit based.

Several HR directors we met with and a NAPA study found that the Administrative Careers with America (ACWA) self-rating schedule examination procedure that is currently used to competitively fill most positions covered by the Luevano decree was cumbersome, delayed hiring, and often did not provide quality candidates. The Luevano decree called for eliminating the use of the Professional and Administrative Career Exam (PACE) and required replacing it with alternative examination procedures.[24] The ACWA exam, which was developed by OPM for Luevano positions, was generally administered by OPM to applicants. Agencies entered into reimbursable contracts with OPM to receive lists of candidates who passed the exam. OPM has now delegated authority to administer the ACWA exam to agencies' delegated examining units.[25] In addition, some exams have been developed to replace ACWA for a few occupations.

Agency managers criticized the ACWA examination because they said it is not merit based, according to a NAPA study.[26] The ACWA rating-schedule examination contains 157 multiple-choice questions that distinguish among qualified applicants on the basis of their self-rated education and life experience, rather than on their relative knowledge, skills, and abilities for the vacant position.[27] The study reported that agencies said the ACWA examination is not relevant to specific jobs and occupations and therefore does not result in lists of "qualified individuals ... solely on the basis of relative ability, knowledge, and skill"—a key merit systems principle.

[24] PACE which was used to fill entry-level positions at the GS-5 and GS-7 level for over 100 professional and administrative occupations, was found to have an adverse impact on African Americans and Hispanics.

[25] In addition to the ACWA exam, OPM has developed separate alternative examination procedures for a number of positions covered by the Luevano decree. In its comments on a draft of this report, DOD noted that administration of the ACWA exam was not delegated to agencies until October 2002 and that the authority cannot be redelegated to components.

[26] National Academy of Public Administration, *Entry-Level Hiring and Development for the 21st Century: Professional and Administrative Positions* (Washington, D.C.: November 1999).

[27] There also is a written ACWA exam that was developed prior to the multiple choice exam.

Consequently, many agencies reported that the primary reason they did not use the ACWA test was their past experience with the quality of the candidates. In a more recent study, NAPA recommended that the ACWA examination system be terminated and agencies be permitted to hire for professional and administrative occupations using techniques that are proven more operationally efficient and effective in meeting diversity shortfalls.[28] Also, MSPB recommended that OPM develop new assessment tools for the occupations covered under the Luevano Consent Decree.[29]

HR directors and other officials illustrated numerous problems with the ACWA exam. For example, the Deputy Assistant Commissioner for Human Resources at the Social Security Administration said that the ACWA examination process used for its mainstream entry-level positions—claims representative, computer specialist, criminal investigator, and regional support position—covered by the Luevano Consent Decree is cumbersome, bureaucratic, and labor intensive. In another example, officials of a major military installation said that recruiting accountants and financial managers was hampered by the ACWA examination. They noted that managers believed the test was not an effective screen to identify quality candidates—a theme consistent with the NAPA study. They also pointed out that applicants were "turned off" to federal employment by the lack of relevance of many of the exam questions to the specific jobs for which they were applying.

Agencies cited the Outstanding Scholar program as a quick way to hire quality college graduates for positions covered by the Luevano decree. The Outstanding Scholar program and Bilingual/Bicultural program were authorized by the Luevano Consent Decree as supplemental tools to competitive examination. These programs were aimed at addressing the under representation of African-Americans and Hispanics in the workplace. Many HR directors and officials viewed the Outstanding Scholar program as a way to hire quality candidates without getting involved in the complexities of the OPM examination process.

[28] National Academy of Public Administration, *Summary of Human Resources Management Research for the National Commission on the Public Service* (Washington, D.C.: July 2002).

[29] U.S. Merit Systems Protection Board, *Making the Public Service Work – Recommendations for Change.*

However, OPM and MSPB have commented that this is an inappropriate use of the authority. This hiring authority uses both baccalaureate grade point average and class standing as eligibility criteria for appointment. This authority allows candidates who meet the eligibility criteria to be directly appointed without competition and operates without regard to veterans' preference or the rule of three (see discussion about the rule of three and veterans' preference later is this report). MSPB has noted, however, that eligibility criteria based on grade point average and class rank are highly questionable as valid predictors of future job performance and that they unnecessarily deny employment consideration to a large segment of the applicant pool who meet basic job qualification requirements.

MSPB also has concerns about the Bilingual/Bicultural program because it permits the hiring of individuals who need not be the best qualified and avoids veterans' preference. This hiring program permits an agency to directly hire an applicant who obtained a passing examination score, without further regard to rank, when the position should be filled by an incumbent with bilingual or bicultural skills and the applicant has the requisite skills. MSPB has also recommended abolishing both the Outstanding Scholar and Bilingual/Bicultural programs because other competitive hiring methods have been more effective in hiring minorities and because they are not merit based.

For positions that are not covered by the Luevano Consent Decree, agencies typically examine candidates by rating and ranking them based on their experience, training, and education, rather than testing them. MSPB noted that the government's interest is not well served if agencies do not have the resources and expertise to make high quality case examining determinations. According to MSPB, agencies use of computer-based assessments is increasing. MSPB notes this has implications for OPM because the validity of computer-based assessments and ranking is critical to ensuring that hiring is based solely on merit.[30] Computer-based assessments would also have implications for category rating systems that are now permitted by the Homeland Security Act of 2002.

In general, both OPM and MSPB are concerned about the validity of assessment tools for all occupations and advocate that agencies improve their assessment instruments. Under a largely decentralized approach,

[30] U.S. Merit Systems Protection Board, *Assessing Federal Job-Seekers in a Delegated Examining Environment* (Washington, D.C: December 2001).

agencies' delegated examining units make decisions on which assessment tools or methods to use and on the development of new assessment tools. However, experts have noted that that there has been a lack of specialized experience in many agencies to develop and maintain valid, effective applicant assessment methodologies. OPM told us that because of budget constraints, it has spent more of its resources on services for which agencies are willing to pay rather than on providing tools that it might have believed to be more valuable, like assessment instruments. OPM also noted that many agencies do not have the technical expertise, funding, or time to develop valid assessment tools. MSPB concluded in a recent report that OPM is a logical organization to which agencies should be able to turn for help in developing valid assessment tools and systems, but is not funded to provide that assistance except on a reimbursable basis.[31]

Actions Under Way

OPM recognizes that it must do more to improve assessment tools. In its fiscal year 2003 performance plan, OPM included a strategic objective that, by fiscal year 2005, governmentwide hiring selections are to be based on comprehensive assessment tools that assess the full range of competencies needed to perform the jobs of the future.

Manual Processes Are Time Consuming and Paperwork Intensive

The Problem

A key problem noted by many HR directors is that much of the hiring process is done manually. Among the most frequently cited factors that hampered or delayed hiring were the logistics of convening assessment panels and the time-consuming process of manually rating and ranking job applicants. Twelve agency HR directors we interviewed commented that manually rating and ranking candidates, or the panel process, was a significant cause of delay in hiring. In addition, time-consuming and paperwork-intensive record keeping is needed to document the rationale of assessment panel ratings.

Prior to assessing applicants based on their relative merits, agencies must conduct a screening process to determine if applicants meet eligibility requirements (e.g. are U.S. citizens) and the basic or minimum education or

[31] U.S. Merit Systems Protection Board, *Assessing Federal Job-Seekers in a Delegated Examining Environment.*

work experience qualifications that OPM established for such a position. In a manual hiring system, staff members would have to review all the applications and document why an applicant did or did not meet minimum qualifications. If there are a large number of applicants, carrying out this process can be time consuming.

Once the applicants' eligibility is determined, agencies typically undertake a labor-intensive effort to establish and convene assessment panels and manually rate and rank the candidates based on their relative merits. According to one of the HR directors we met with, the logistics of setting up an assessment panel meeting makes for long delays in the hiring process, in some cases up to 1 month. Some of the delay is due to assembling the appropriate managers and subject matter experts, coordinating their availability, and factoring in the exigencies of other demands and travel time. Once the panel is formed, the panel sorts through all of the applicants' paperwork, assesses the applicants, and determines a numerical score for each applicant by rating the education and experience described by the applicant against the evaluation criteria in the crediting plan for the position. At this point, any applicable veterans' preference points are added to the applicants' score. As mentioned previously, the Homeland Security Act of 2002 permits an agency to use a category rating system that might make assessing candidates less complex and time consuming.

Automation has the potential to streamline operations by electronically rating and ranking applicants, or placing them in quality categories, eliminating the need to form assessment panels, and greatly reducing the paperwork burden associated with manual assessments. An automated system creates an easily assessable audit trail so that managers and HR staffs could document their decisions. In addition, an automated system could electronically determine if an applicant met the basic qualifications and electronically notify the applicant of his or her eligibility for the job for which he or she applied.

Actions Under Way

Nineteen of the 24 agency HR directors we met with said they had automated or planned to automate at least a portion of their hiring processes. Some of these agencies have automated or planned to automate the rating and ranking processes. Agencies have used private vendors or have contracted to use OPM's USA Staffing automated hiring package.

USGS automated its hiring system and estimated that it cut hiring time from the close of a job announcement to issuing a job certificate from 30 to 60 days to under 7 days. USGS's automated system is a computerized employment application processing system, which automates many of the functions and tasks of the competitive examination process. It electronically prescreens applicants and rates and ranks applicants according to specified job-related criteria. This also eliminates the need to convene rating and ranking panels and reduces the paperwork and administrative burden associated with documenting manual rating and ranking. The system also electronically refers the job certificate to the selecting official who has the rating and ranking data, résumés, and other information on his or her desktop, an improvement in efficiency. Furthermore, it makes recruiting data available on-line to authorized staff members. Applicant benefits include user-friendly on-line application and timely feedback on the status of applications. NAPA chronicled the success of USGS's automated system in a 2001 report. The report notes that 1 year after being implemented, "it is clear that the program is a huge success."[32] The report lays out the successes based on USGS information to include a significant reduction of processing time a reduction of 1,800 staff days of work, and a nearly tenfold increase in the number of applicants for many of its announcements.

Census also automated its hiring process. The impetus for Census to change from its manual hiring system to the automated system for its occupations covering the majority of its ongoing hiring needs—information technology specialist, statistician, and mathematical statistician—was a large number or positions (500 positions) and urgent hiring needed for the 2000 Census.[33] The agency put together a team of managers, human resource staff, and programmers and worked with OPM to automate hiring for these three occupations. In 1998, Census automated their hiring system through OPM for the three occupations. Under this system, OPM posts continuously open vacancy announcements for multiple grade levels. As part of a contract with Census, OPM receives the applications and maintains an inventory of applicants on its system and can rate and rank the applicants and generate a job certificate for Census within 3 days of the request for a certificate. Since there is no closing date for job

[32] National Academy of Public Administration, *The Quest for Talent: Recruitment Strategies for Federal Agencies* (Washington, D.C.: 2001).

[33] These 500 positions were professional in nature and not part of the temporary enumerator workforce hired for the 2000 Census.

announcements, many phases of the typical federal hiring process have been completed in advance of a Census request for a certificate. Census managers provide quality-ranking factors to OPM when they request a job certificate. In addition, Census managers have electronic access to information on the applicants because OPM updates Census's database daily. Census officials told us that additional applicant information collected by recruiters on college campuses provides managers pertinent skill data, which could eliminate personal interviews. Census estimated that time to hire declined from 3 to 4 months to a week or less. For other occupations, Census continues to use its manual competitive examination hiring process to hire people from outside the government.

The Rule of Three Limits Managers' Choice of Quality Candidates

The Problem

One of the largest obstacles to the federal hiring process mentioned in our interviews with HR directors was the rule of three. Specifically, 15 of the 24 HR directors we met with raised concerns about the negative impact of the rule of three on hiring. Once the panel has rated and ranked the candidates and applied applicable veterans' preference points, the panel refers a sufficient number of candidates to permit the appointing officer to consider three candidates that are available for appointment. The selecting official is required to select from among the top three ranked candidates available for appointment—this is the rule of three.[34] If a candidate with veterans' preference is on the list, the selecting official cannot pass over the veteran and select a lower ranking candidate without veterans' preference unless the selecting official's objection to hiring the veteran is sustained by OPM.[35] The Homeland Security Act of 2002, enacted in November 2002, now permits agencies governmentwide to use category rating in lieu of numerical ranking and adherence to the rule of three.[36] OPM currently is drafting implementing guidance for this provision. A more complete description of category ranking is included in appendix II. It will be important for agencies to adopt category ranking to improve their hiring processes.

[34] 5 U.S.C. § 3318(a).

[35] 5 U.S.C. § 3318(b).

[36] Section 1312(a)(2) of Pub. L. No. 107-296 (Nov. 25, 2002).

Choosing from among the top three candidates is problematic for a variety of reasons. MSPB noted in its study on the rule of three that "the examination procedures underpinning this hiring rule vary in their ability to make fine distinctions among candidates." Further, veterans' preference points are added to the imprecise numerical score generated through the panel's examination process, which can result in veterans being ranked among the top three candidates. The result can be several candidates with the exact same score. When more than three candidates have the same score, examining offices may need to break the tie, usually by electing three of the candidates at random.

Since current assessment tools cannot make fine distinctions between applicants, encouraging selection from as many qualified candidates as is reasonable enhances merit-based hiring. The MSPB conducted an in-depth study of the rule of three and its interaction with veterans' preference.[37] MSPB concluded that given the limits of the examining process to predict future job performance, the curb on the number of candidates from which managers may select does not represent good hiring policy. It also noted that the rule of three's original purpose was to provide choices.

For several years, federal human capital experts said that categorical rating or grouping could provide an alternative to the rule of three methods and expand the number of candidates that a selecting official could choose from while protecting veterans' preference. Both NAPA and MSPB supported abolishing numerical ranking and the rule of three and replacing them with category rating that would allow officials to select among candidates that were placed in a high-quality category. However, candidates with veterans' preference placed in the high-quality category would be hired before candidates without veterans' preference. OPM also supported allowing agencies to use category rating in lieu of numerical ranking and the rule of three.

Actions Under Way

The Department of Agriculture's ARS and FS tested and implemented category rating in lieu of numerical ranking and the rule of three under an OPM demonstration project. The final 5-year evaluation of the project showed that (1) the number of candidates per job announcement

[37] U.S. Merit Systems Protection Board, *The Rule of Three in Federal Hiring: Boon or Bane?* (Washington, D.C.: December 1995).

increased, (2) more candidates were referred to managers for selection, (3) hiring speed increased, and (4) there was greater satisfaction with the hiring process among managers. On average, there were from 60 percent (ARS) to 70 percent (FS) more applicants available for consideration under the demonstration project quality grouping procedure than under the standard rule of three and numerical ranking. A higher percentage of veterans were hired in the ARS and about the same percentage of veterans were hired by the FS compared with using the rule of three process. Specifically, at ARS 16.3 percent of all hires were veterans using categorical ranking, while just 9.5 percent were veterans using the rule of three. At ARS, the average length of time to hire was about 25 days quicker than at comparison sites. At FS, the time to hire was quicker, but the difference was not significantly different. Appendix II contains more information on the categorical ranking project carried out by the ARS and FS.

As noted previously, the Homeland Security Act of 2002, enacted in November 2002, included a governmentwide provision that OPM or an agency to which OPM has delegated examining authority may establish category rating systems for evaluating applicants for positions in the competitive service. Under this provision a selecting official can select anyone placed in the top category. However, a candidate with veterans' preference who is placed in the top category could not be passed over by a selecting official unless objection to hiring the veteran is sustained by OPM. OPM is currently drafting guidance to implement this new flexibility.

OPM's Role and Performance in the Federal Hiring Process

OPM has recognized that the hiring system needs improvement and, as pointed out earlier in this report, is taking a number of actions to address governmentwide hiring challenges. OPM's current strategic plan includes a major objective to "Increase the effectiveness and efficiency of the Federal hiring process and make Federal employment attractive to high-quality applicants of diverse backgrounds." To meet this objective, OPM has identified a number of strategies, including reducing regulatory burdens that hamper hiring, increasing recruitment through e-government initiatives, and identifying other governmentwide solutions to improve the hiring process. In addition, last spring OPM announced a hiring initiative that is designed to create momentum for success, build the image of public service, and fix the hiring process. A number of actions have already taken place in the first wave. In July 2002, OPM announced the development of a hiring preferred practices guide and asked agencies to contribute examples of how they had optimized existing hiring flexibilities. Also, last summer OPM held the government's first "virtual job fair" for information

technology workers that demonstrated that critically needed staff could be hired effectively and efficiently. OPM said that in the coming months it will identify other projects and proposals that will address systemic problems associated with the hiring process. It will include deploying competency-based qualifications, improving entry-level hiring, and updating and modernizing exam scoring policy.

Our survey of HR directors in the fall of 2001 and then again in the fall of 2002 showed mixed views on whether OPM helped or hindered the hiring process in their agencies. Specifically in 2001, 13 thought OPM helped, 5 thought OPM neither helped nor hindered, and 5 thought OPM hindered their hiring processes. In 2002, 9 thought OPM helped, 9 thought OPM neither helped nor hindered, and four thought OPM hindered the processes. Details of our survey are included in appendix III.

HR directors we talked with identified other actions that OPM took to help their departments or agencies improve their hiring processes. These processes included delegation of examination authority, providing human capital expertise, and providing the USAJOBS and USA Staffing programs. The HR directors also identified areas in which OPM could take a more active role. Foremost, agencies said that OPM needed to be a more proactive resource and enhance its role as a "clearinghouse" of information and provide more guidance and better expertise to agencies. Agencies explained that OPM needed to provide information and "best practices" associated with automating the hiring process. They also noted that OPM could do more to address key obstacles in the hiring process, including outdated classification standards and inadequate assessment tools.

Conclusions

Improving the federal hiring process is critical as the number of new hires is expected to increase substantially to address the security needs arising from the terrorists attacks of September 11, 2001, and to replace the large number of employees expected to retire over the next few years. Agencies are responsible for maximizing the efficiency and effectiveness of their hiring processes within the current statutory and regulatory framework. Steps toward a higher-level hiring system include using a data-driven approach to identify hiring barriers and ways to overcome them. A key step includes automating the hiring process, which may drive efficiency and reduce the administrative and paperwork burden. Innovative and best practices of model agencies need to be made available to other agencies in order to facilitate the transformation of agency hiring practices from compliance based to one focused on the agencies' missions. While many

improvements to hiring processes can be made by agencies themselves, OPM has recognized that it needs to do more to address some key governmentwide problems.

Recommendations for Executive Action

OPM's hiring initiatives are moving in the direction that will help agencies improve their hiring processes. OPM can assist agencies by helping the agencies to improve and streamline their hiring processes by taking a comprehensive and strategic approach. Consistent with its current efforts to improve the federal hiring process, OPM needs to take a number of specific actions to strengthen federal hiring. Accordingly, as a part of its overall hiring initiative, we recommend that OPM

- study how to simplify, streamline, and reform the classification process;
- assist agencies in automating their hiring processes;
- continue to assist agencies in making job announcements and Web postings more user friendly and effective;
- develop and help agencies develop improved hiring assessment tools; and
- review the effectiveness of the Outstanding Scholar and Bilingual/Bicultural Luevano Consent Decree hiring authorities.

Agency Comments and Our Evaluation

OPM and DOD provided written comments on a draft of this report. Technical comments were provided orally by USGS and via email by Census, ARS, and FS. These technical comments have been incorporated into the report.

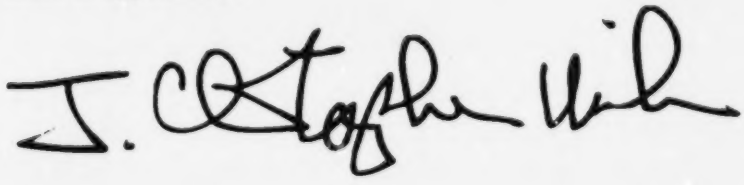
OPM generally agreed with the conclusions and recommendations in the report. However, OPM expressed several concerns with our methodology. It believes the section on the classification and position description process could be misleading because the majority of jobs are filled without this step. We agree, but note that the more important problem with the classification process is that inaccurate position descriptions and related pay determinations that result from the job classification could hamper efforts to fill the positions with the right employees. OPM also believed that our draft missed an opportunity to hold agencies more accountable for

their hiring processes. Throughout the draft, we note that agencies are primarily responsible for their hiring processes and provide concrete examples of what some agencies have done to improve their processes. OPM also provides several examples of actions it is taking to improve the hiring process. Finally, OPM questioned our methodology of meeting with agency HR directors to assess how well OPM is assisting agencies in improving their hiring processes. It believes that chief operating officers would provide a better perspective of agency recruiting and retention issues. While we agree these officials could provide perspective about the results of the hiring process, agency HR directors better understand and are responsible for their agencies' hiring processes.

DOD noted several areas where it believed that OPM needed to do much more to address governmentwide hiring problems. We agree that OPM should do more to improve governmentwide hiring and include several recommendations to OPM.

As agreed with your offices, unless you publicly release its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time, we will send copies of this report to the Chair, Senate Committee on Governmental Affairs, the Chairman, House Committee on Government Reform, the Chairwoman of the Subcommittee on Civil Service and Agency Organization, House Government Reform. We will also send copies to the Director of OPM, the Secretary of the Army, the Secretary of Commerce, the Secretary of Interior, and the Secretary of Agriculture. We will also make copies available to others upon request. In addition, the report will be made available at no charge on the GAO Web site at http//:www.gao.gov.

If you have any questions about this report, please contact Edward Stephenson or me on (202) 512-6806. Key contributors to this report are listed in appendix VI.



J. Christopher Mihm
Director, Strategic Issues

List of Requesters

The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable Daniel K. Akaka
Ranking Minority Member
Subcommittee on Financial Management, the
Budget and International Security
Committee on Governmental Affairs
United States Senate

The Honorable George V. Voinovich
Chairman
The Honorable Richard J. Durbin
Ranking Minority Member
Subcommittee on Oversight of Government
Management, the Federal Workforce
and the District of Columbia
Committee on Governmental Affairs
United States Senate

The Honorable Thad Cochran
United States Senate

The Honorable Danny K. Davis
Ranking Minority Member
Subcommittee on Civil Service
and Agency Organization
Committee on Government Reform
House of Representatives

The Honorable Dave Weldon, M.D.
House of Representatives

Federal Hiring Using the Competitive Service or the Excepted Service

Federal civil service employees, other than those in the Senior Executive Service (SES) are employed in either the competitive service, 5 U.S.C. § 2102(a), or the excepted service, 5 U.S.C. § 2103(a).[1] The competitive service examination process is one of the processes intended to ensure that agencies' hiring activities comply with merit principles. This includes notifying the public that the government will accept applications for a job, screening applications against minimum qualification standards, and assessing applicants' relative competencies or knowledge, skills, and abilities against job-related criteria to identify the most qualified applicants. Federal agencies typically examine or assess candidates by rating and ranking them based on of their experience, training, and education, rather than by testing them.[2]

Except as noted before, Title 5 of the U.S. Code requires federal examining offices to give job applicants numerical scores and refer candidates for employment to selecting officials based on their scores. Higher scores theoretically represent greater merit and thus improve candidates' employment opportunities. In addition, veterans' preference requires augmenting scores of certain individuals because of military service performed by them or members of their families.[3] The rule of three requires managers to select from among the top three numerically ranked candidates available for appointment.[4] However, if a candidate with veterans' preference is among the top three candidates, the manager cannot pass over the veteran and select a lower ranked candidate without veterans' preference unless the selecting official's objection to hiring the

[1] Positions may be excepted from the competitive service by statute, by the President, or by the Office of Personnel Management (OPM). 5 C.F.R. § 213.101. OPM may except positions from the competitive service when it determines that appointments into such positions through competitive examination are not practicable. 5 C.F.R. § 6.1(a). Excepted appointments can be under either Schedule A (e.g., chaplain and attorney positions), Schedule B (e.g. Student Career Experience Program and SES candidate development program positions), or Schedule C (political appointee positions). 5 C.F.R. Part 213, Subpart C.

[2] Agencies use written tests to assess certain outside candidates. The most important written tests are used for hiring into two groups: (1) GS-2, 3,and 4 entry-level clerks and technical positions, and (2) GS-5 and GS-7 professional and administrative positions covered by the Luevano Consent Decree. GS refers to General Schedule, which is the basic classification and compensation system for white-collar occupations in the federal government.

[3] 5 U.S.C. § 3309.

[4] 5 U.S.C. § 3318(a).

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veteran is sustained by the Office Of Personnel Management (OPM).[5] Ensuring that these objectives are met involves several basic steps and the preparation of extensive supporting documentation.

Soon agencies will have greater flexibility under the competitive service examination process with the option of using category ranking. The Homeland Security Act of 2002, enacted on November 25, 2002, has a governmentwide provision that will now permit agencies to establish category rating systems for evaluating applicants by placing them in two or more quality categories based on merit.[6] The rule of three does not apply, and selecting officials can select anyone placed in a best-qualified category. However, if a candidate with veterans' preference is placed in a best-qualified category, the veteran cannot be passed over and must be selected unless the selecting official's objection to hiring the veteran is sustained by OPM. OPM is currently drafting guidance to implement this legislation.

[5] 5 U.S.C. § 3318(b).

[6] Section 1312(a)(2) of Pub. L. No. 107-296 (Nov. 25, 2002).

Description of Category Rating Project Carried Out by the Agricultural Research Service and the Forest Service

A Department of Agriculture demonstration project carried out by the Agricultural Research Service (ARS) and the Forest Service (FS) demonstrated that category rating, or quality grouping, can provide managers with a larger pool of applicants from which to choose than numerical ranking and the rule of three, while protecting veterans' preference. ARS and FS believed that the rule of three hampered their ability to hire the people they needed. From 1990 to 1998, ARS and FS carried out the U.S. Department of Agriculture Personnel Management Demonstration Project, authorized by the Office of Personnel Management (OPM).[1] The purpose of the project was to develop a recruitment and selection program for new hires that was flexible and responsive to local recruitment needs. This was the first demonstration project testing a comprehensive simplification of the hiring system for both blue and white-collar federal employees.

The project tested the use of category rating as an alternative hiring process. Instead of numerical rating and ranking that required selection from the highest three scorers under the rule of three, under category rating applicants meeting minimum qualification standards are placed in one of two groups (quality and eligible) on the basis of their education, experience, and ability. All candidates in the quality group are available for selection; however, if the quality group contains a veteran, the veteran must be hired unless an objection to hiring the veteran is sustained. If the number of candidates falling into the quality group is inadequate, applicants from the eligible group can also be referred to the manager for selection.

As noted before, evaluations of this demonstration project showed it to be effective. Because there was no mechanism in current law to make a demonstration project permanent, innovations that were tested successfully in demonstration projects could not be implemented permanently in the testing agency unless authorized by Congress in special legislation. The demonstration project at the Department of Agriculture was made permanent through legislation in October 1998.[2]

[1] OPM is authorized to waive civil service laws and regulations to permit agencies to test alternative personnel management approaches. 5 U.S.C. § 4703.

[2] Section 749 of Pub. L. No. 105-277 (Oct. 21, 1998).

Objectives, Scope, and Methodology

As agreed with the requesters and in accordance with discussions with their offices, the objectives of this study were to

- identify major factors that hamper or delay the federal hiring process;
- provide examples of innovative practices or approaches used by selected agencies to improve their hiring processes and have the potential to be adapted by other agencies; and
- identify opportunities for the Office of Personnel Management (OPM), agencies, and others to improve the federal hiring process.

We reviewed the practices associated with how the government hires people from outside the government for competitive service positions, including entry-level and higher graded General Schedule positions. We focused our work on the competitive examination process used to fill those positions because that is usually the way that most agencies bring people into their organizations. In addition, we obtained information on special hiring authorities that are frequently used to hire people for entry-level positions and that may supplement the competitive examination hiring process. We did not review in detail how the government fills positions through merit promotions with people who are already employed by the federal government.

To identify major factors that hamper or delay the competitive hiring process, we first reviewed our prior work and extant literature on federal hiring. We also interviewed experts and obtained their studies at

- the U.S. Merit Systems Protection Board (MSPB), a federal agency that hears and decides civil service cases, reviews OPM regulations, and conducts studies of the federal government's merit system;
- the National Academy of Public Administration, an independent nonpartisan, nonprofit, congressionally chartered organization that assists federal, state, and local governments in improving their performance;
- the National Partnership for Public Service, a nonpartisan organization dedicated to revitalizing the public service; and
- OPM, the federal government's human resources (HR) agency.

We used experts' findings or observations to augment information we obtained from federal agencies and incorporated them into our report as appropriate. We then reviewed the pertinent laws, Code of Federal Regulations and OPM's *Delegated Examining Operations Handbook* that governs the competitive examination hiring process in order to describe how the hiring process works and to later describe what agency human resource directors and studies identified as steps, processes, or regulatory requirements that hampered or delayed hiring. In addition, we reviewed data on hiring contained in OPM's Central Personnel Data File.

Next we gathered information on our three objectives by conducting semistructured interviews with the HR directors of the 24 largest federal departments and agencies. The interviews were conducted from September through December 2001. The open-ended questions were categorized and coded and entered into a database we created. Responses to closed questions on how significant a problem time to hire was were also entered into our database. At least two staff reviewers collectively coded the responses from each of the 24 interviews, and the coding was verified when entered into the database.

In addition to these interviews with HR directors, we conducted brief surveys of these 24 directors in both the fall of 2001 and fall of 2002.[1] All 24 HR directors responded to both surveys. During the period between the 2001 and 2002 surveys, 16 of the 24 individuals left their positions.

The results of each of these surveys are shown in table 3.

[1] These surveys were conducted in conjunction with our work on personnel flexibilities. Our work on flexibilities resulted in two reports: *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces* (GAO-03-2, Dec. 6, 2002) and *Human Capital: OPM Can Better Assist Agencies in Using Personnel Flexibilities* (GAO-03-428, May 9, 2003, restricted until June 9, 2003.)

Table 3: Survey Responses from 24 HR Directors

Question	Response	Fall 2001	Fall 2002
To what extent is the time needed to fill a position, or "hiring time," a problem within your department /agency?	Little or no extent	0	0
	Some extent	2	3
	Moderate extent	7	8
	Great extent	13	10
	Very great extent	2	3
	No basis to judge/NA	0	0
Overall, would you say that OPM has helped or hindered the hiring process in your department/agency?	Greatly hindered	0	2
	Somewhat hindered	5	2
	Neither helped nor hindered	5	9
	Somewhat helped	11	7
	Greatly helped	2	2
	No basis to judge/NA	1	2

Source: GAO.

In order to provide examples of innovative practices or approaches used by selected agencies to improve their hiring processes and that have the potential to be adapted by other agencies, we conducted a second phase of interviews at five selected agencies from February through November 2002: Department of Agriculture's Agricultural Research Service (ARS) and Forest Service (FS), U. S. Geological Survey (USGS), U.S. Census Bureau (Census), and Department of the Army (Army). We selected those agencies based on interviews with HR directors across government and discussions with HR experts who noted that these agencies had taken actions to improve their hiring practices.

We assessed the role that OPM has played in the hiring process through interviews with HR directors at the 24 largest departments or agencies, experts at MSPB and OPM, and by reviewing expert studies and other information. We provided a draft of this report to OPM, DOD, Census, ARS, FS, and USGS for review and comment. Their responses and comments are discussed at the end of the report. We did our review in Washington D.C., from June 2001 through January 2003 in accordance with generally accepted government auditing standards.

Comments from the Office of Personnel Management

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, DC 20415-1000

OFFICE OF THE DIRECTOR

MAY 0 6 2003

Mr. J. Christopher Mihm
Director, Strategic Issues
Unites States General Accounting Office
Washington, DC 20548

Dear Mr. Mihm:

This responds to your request for written comments on your draft report entitled *HUMAN CAPITAL: Opportunities to Improve Executive Agencies' Hiring Process*. We appreciate the opportunity to submit our comments prior to the publication of the report.

See comment 1.

Before commenting more specifically on the contents of the report, I want to again bring to your attention one aspect of the fundamental methodology you employed in exploring how well the Office of Personnel Management (OPM) has been assisting agencies. We have found that agency human resources directors are an energetic and important source of expertise on the human resources operations and opportunities facing their agencies. We have also found that agency chief operating officers, the individuals primarily responsible for implementing the President's Management Agenda, as well as conducting the overall administration of their organizations, often have the best perspective and the widest array of information about recruitment and retention issues across their agencies. For that reason, I urge you to poll their perceptions in any future studies intended to address broad-based leadership issues.

See comment 2.

As for the report, while we generally agree with its conclusions and recommendations, we have concerns about the methodology used to identify issues addressed in the report, the basis of some conclusions, and the omission of relevant information. We are, therefore, providing the following information for your consideration.

It is unclear why the five major problems discussed in the report (Classification and Compensation Process; Job Announcements; Assessment Tools Used for *Luevano* Occupations; Manual Processing of Applications; and Rating and Ranking under 5 U.S.C. 3318) were identified. We believe more rationale could be given, and possibly more research done, to determine if, in fact, these are paramount problems. As cited in the report, there are "Actions Underway" in all five areas, and several will be alleviated based on the actions being taken. In addition, we are disappointed that quality of hires was not identified as an important issue rather than so much emphasis being placed on time-to-hire.

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The basis for the conclusions reached with respect to the Classification Process and the Job Announcements Content include background information that could be misleading. Following are some examples:

- In discussing issues with a problematic classification system, the report portrays the classification process as being an arduous first step in the recruitment process. Realistically, the majority of positions filled are based on continuing position descriptions that do not require additional description or classification and at most, need a pro forma review to verify accuracy.

See comment 3.

- The report also states that the classification system, as well as most standards issued thereunder, was developed decades ago when typical jobs were more narrowly defined. Although that statement is true for the statutory General Schedule grade level definitions that underpin the entire system, nearly 50% of the position classification standards have been revised within the past 15 years, with 20% updated within the last 5 years. Most recently, the Office of Personnel Management (OPM) has also been moving aggressively towards developing job family (vs. single occupation) standards to further simplify the system.

- The report's recommendation that OPM "study how to simplify, streamline, and reform the classification process" implies that we have not done so to date. The opposite is true. OPM undertook an in-depth study of the history and evolution of the Federal classification system as background to the white paper on pay reform cited in the report, as well as extensive and ongoing evaluation of multiple demonstration projects and agency-specific personnel flexibilities that have successfully simplified and streamlined the process.

OPM has also taken several actions to assist agencies in improving their vacancy announcements. These include July 15, 2002, and December 9, 2002, memoranda to Human Resources Directors on "Improving Job Announcements" and a "Pledge to Applicants." We also issued a Fact Sheet for job seekers entitled "Tips for Letting Federal Employers Know Your Worth." In addition, our Recruitment One-Stop has been a major information technology initiative that has engaged an interagency team to review vacancy announcements, the mechanics of the automated USAJOBS system, and the application process itself. The efforts of this team will result in the following major improvements to USAJOBS upon launch in late spring of this year:

See comment 4.

Job Seeker Improvements:

- Completely redesigned user interface that leverages industry best practices;
- Dramatically improved job search engine that now includes full-text searching and a more intuitive search interface;
- Improved career management tools including storage of up to five resume versions and cover letters, and basic on-line application status tracking;

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- Improved display and organization of job search results and vacancy announcement content; and
- Rewritten USAJOBS by Phone system that features improved text-to-speech, advanced speech recognition, streamlined navigation, and live operator support.

Hiring Agency Improvements:

- Real time vacancy posting;
- Improved user interface;
- Resume mining search tools for candidate sourcing;
- Workforce automation tools to improve productivity; and
- Self-service reporting and administrative tools.

OPM is working with its interagency partners and contractor to rapidly implement the following major changes in Vacancy Announcements:

- Redesigning the way vacancy announcements are displayed to only show relevant information in a clean, easy-to-follow, tabbed format;
- Including prominent agency branding and agency marketing information in every announcement;
- Making detailed/legal and regulatory statements available via hypertext links rather than including it in the body of every announcement;
- Revising boilerplate announcement text to be more "user friendly";
- Developing a new tool for recruiters to construct announcements that will result in a higher-quality, more job seeker focused product; and
- Delivering announcement content in a printer friendly format.

The revised vacancy announcement improvements will begin phased in implementation as early as mid-June of this year.

These efforts by OPM and the interagency team should be identified as central to improving this process, without highlighting the specific contractor who was awarded the contract to work with OPM on this effort.

See comment 5.

We would also like to address comments made in your report about assessment procedures, and the ACWA rating schedules in particular. You reported that, "Agency managers criticized the ACWA examination because they said it is not merit based, according to a NAPA study," and that it measures education and life experience rather than knowledge, skills, and abilities (KSAs) – as called for by a key merit systems principle. In fact, the ACWA rating schedules specifically were developed to measure the KSAs/competencies critical for success in these occupations. OPM professionals followed the procedures outlined in the *Uniform Guidelines on Employee Selection Procedures* to establish the validity of the ACWA examination, as documented in a report to the Department of Justice. Even so, OPM agrees with MSPB, as stated in your report, that it is time to reevaluate the ACWA examination against other assessment

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options. We are also in full agreement with MSPB in advocating "that agencies improve their assessment instruments" as well, as you highlighted in your report.

We believe the report misses an opportunity to hold agencies more accountable for cumbersome hiring processes. In many cases these processes are within the agency's control and could be improved for far more efficient and effective hiring. In this regard, we believe that your report should encourage agencies to:

See comment 6.

- Delegate hiring authority to the lowest possible levels;
- Review their internal policies to ensure they have eliminated self-imposed barriers that impede their hiring, such as announcing jobs for lengthy minimum periods;
- Conduct more sophisticated workforce planning and develop more targeted, pro-active recruitment strategies, keeping in mind that veterans have been, and continue to be, one of the main sources of candidates for Federal jobs. Considering veterans for jobs is nowhere near the magnitude of the sacrifices our veterans have made for our freedoms;
- Develop job-specific recruitment plans that identify such things as which colleges and universities might yield quality candidates, what tools are best to use under specific circumstances, etc.; and
- Include automation as an integral part of their hiring.

Finally, the report discusses the rule of three and its limitation of managerial flexibility. We are very pleased that Homeland Security Act, Public Law 107-296, provided the authority to use category rating as an alternative throughout the Government. We are drafting the implementing regulations and look forward to providing them soon for comment. While the regulations will provide increased flexibility, we remain committed to the brave men and women who serve this Nation. The proper application of veterans' preference will continue to be a high priority.

OPM is focused on achieving positive results in each of the areas addressed in your report. We have realigned the agency to assist Federal agencies in adopting human resources management systems that improve their ability to build successful, high performance organizations. We believe we are poised to meet this challenge, and that these results will meet and exceed the Human Capital Standards for Success.

We want to thank you once again for the opportunity to comment on this report. For additional information or if you want to discuss these comments, please contact OPM Deputy Director, Dan Blair, at 202-606-1000.

Sincerely,

Kay Coles James
Director

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The following are GAO's comments on the Office of Personnel Management's (OPM) letter dated May 6, 2003.

GAO Comments

1. OPM questioned our methodology of meeting with agency human resources (HR) directors to assess how well OPM is assisting agencies in improving their hiring processes. OPM believes that chief operating officers would provide a better perspective of agency recruiting and retention issues. While we agree these officials could provide perspective about the results of the hiring process, agency HR directors better understand and are responsible for their agency hiring process and most directly interact with OPM. Agency HR directors are therefore in an excellent position to speak to federal hiring issues and OPM's leadership.

2. OPM said it was unclear why we identified the five hiring problem areas and also that the quality of hires was not identified as an issue. We identified these areas based on our discussions with human capital and other officials across government and in our review of studies by the Merit Systems Protection Board and the National Academy of Public Administration. Our assessment of these problems considered the impact on the quality of hires. For example, we note in our discussion of the federal job classification process that it not only delays the hiring process for those positions requiring the development of job descriptions, but more important, the resulting job classification and related pay might not match the actual duties of the job. This mismatch can hamper efforts to fill the position with the right employee. We also note that the automated process at the U.S. Geological Survey increased the number of applicants—which increases the likelihood of filling a position with the right person. Finally, in our discussion of the use of the Administrative Careers with America (ACWA) test we note managers' concerns with the quality of candidates who were referred based on the test results. The recommendation to address this issue was primarily based on the fact that, according to managers, the test was not referring quality candidates.

3. OPM said that our conclusions about the classification process could be misleading. For example, it believes the section on the classification and position description process could be misleading because the majority of jobs are filled without this step. We agree, but note that the more important problem with the classification process is that the existing inaccurate position description and related pay that resulted

from the job classification could hamper efforts to fill the position with the right employee. OPM also said that although it agreed that the grade level definitions that underpin the entire classification system are decades old, it has taken steps to revise position classification standards. We note in our report that OPM has and is continuing to revise position standards, but point out that the basic system needs revision. This position is not inconsistent with OPM's and others' views of classification. OPM's white paper on pay notes a key problem with classification is that, under present rules, characteristics such as workload, quality of work, and results are not classification factors. OPM and others conclude that the classification system needs basic revision.

4. OPM points out in its comments that it has taken several steps to assist agencies in improving their vacancy announcements. We recognized many of these actions in our actions under way section and have augmented the section to further outline OPM's positive steps.

5. OPM had some concerns about our comments about the ACWA test. We noted that managers were critical of the ACWA exam because it was not merit based and it measures life experiences rather than knowledge, skills, and abilities. OPM says the ACWA exam was specifically developed to measure competencies critical to the success of the relevant occupations. We should point out that the ACWA exam is used for more than 100 different occupations. Agency managers we met with and several studies have pointed out that the test does not refer quality candidates. Even though OPM in its comments defends the ACWA exam, it agreed that the test needs to be reevaluated. We recommend that OPM help agencies improve all applicant assessment tools.

6. OPM said that the report misses an opportunity to hold agencies more accountable for the cumbersome hiring process. Throughout the report, we point out that agencies are primarily responsible for improving their hiring processes and include several examples how the agencies we studied in detail took steps to improve various aspects of their hiring processes. These steps could be taken by agencies without any action by OPM. Several of our recommendations to OPM call for actions to assist agencies in addressing their hiring problems.

Comments from the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

PERSONNEL AND READINESS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

APR 14 2003

Mr. J. Christopher Mihm
Director, Strategic Issues
U.S. General Accounting Office
441 G Street N.W.
Washington, D.C. 20548

Dear Mr. Mihm:

This is the Department of Defense (DoD) response to the GAO draft report, GAO-03-450, (Code 450034), "HUMAN CAPITAL: Opportunities to Improve Executive Agencies' Hiring Process," dated March 17, 2003.

While the GAO report does not contain recommendations for DoD, we appreciate the opportunity to offer comments. The Department's comments are enclosed.

Sincerely,

Charles S. Abell
Principal Deputy

Enclosure:
As stated

Comments on GAO 03-450 Draft Report – Opportunities to Improve Executive Agencies' Hiring Processes
April 11, 2003

See comment 1.

- In general, it is unclear whether the study was intended to look at all recruitment sources (e.g., DEA, OPM Certificate, internal merit promotion, etc.) in its assessment. To be of maximum value, the report should further clarify the internal and external recruitment processes and delineate the fill times and inherent problems for each.

See comment 2.

- The "Results-In-Brief" section on page 4 indicates that "Agencies have the primary responsibility for streamlining and automating their hiring processes, but OPM also plays an important role in providing leadership and oversight of the merit-based employment system and helping agencies meet their hiring challenges." This statement is problematic for two reasons. First, the report goes on to recommend that OPM provide assistance to agencies but with limited suggestion as to how or why it would be done. Second, the statement belies the historical role of OPM and its predecessor in providing more than leadership and oversight. OPM develops all policy and procedures that are applied government-wide. This report does little or nothing to examine actual steps taken by OPM to relieve the onerous nature of such policies and procedures other than several nebulous references to planning with no near-term delivery dates.

See comment 3.

- Table 1 on page 5 makes several observations with no definitive analysis:
  - While OPM points out that the job classification system is broken and has been for some time, it offers no near-term solution. This is not a new conclusion; efforts to redefine this process have been going on for over a decade with limited results.
  - The OPM strategic plan states that by FY05 selections will be based on new assessment tools. We are by all accounts in a human capital crisis; new tools must be developed immediately and with agency involvement immediately.
  - The Table cites the success of the U.S. Geological Survey automated hiring function. There are many references to the USGS's success with its automated function. We are concerned that the success of the system is evidenced in this report without an analysis of the tool itself and its demonstrated conformance to merit evaluation. It is our understanding that the USGS system is based on employee self-identified competencies, to include behavioral characteristics. Such systems require significant upfront work to determine the set of competencies to be applied to each position. An additional compounding problem with

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Comments on GAO 03-450 Draft Report – Opportunities to Improve Executive Agencies' Hiring Processes
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the use of competency based automated staffing solutions is the amount of time it takes to build the list of competencies for every position. This point was not made in the report. In an organization the size of USGS, where the positions are somewhat homogeneous, this may be a viable solution. In an organization the size of the Department of Defense, an effort to convert from KSA-based selections to competency-based selections would require several years, perhaps a decade, with little recognized value added.

See comment 4.

- In the Background Section, on page 6, the report states that OPM delegated examining authority to agencies in 1996; however, there is no comparison of the procedures/timelines to OPM examination practices, either before or after delegation was initiated.

See comment 3.

- On page 6 and on various other references through the report, the study references the "clearinghouse" role that OPM might or should play as it concerns staffing barriers and what they are doing to improve the hiring process. It does not report the delay or lack of activity by OPM on almost 300 staffing barriers previously identified to OPM and the lack of any appreciable results over the past two years. While numerous working groups have been announced over the past year, few meetings have been held and limited work has been accomplished, with the exception of the Recruitment One-Stop project.

See comment 5.

- In a report recommendation on page 6, it is recommended to OPM that they "study" how to improve, streamline, and reform the classification process. Study is not needed. This process has been studied from every angle without producing significant results.

See comment 6.

- It is recommended that historical information be included to explain statistics cited in the report. For example, on page 7, third paragraph, GAO states that the number of new hires have substantially increased since the mid-1990s. However, there is no explanation provided to account for the increase.

See comment 7.

- Page 8 contains an inaccurate statement that is repeated two more time in the report that the DoD HR Director/Deputy Assistant Secretary of Defense for Civilian Personnel Policy did not respond to the October 2002 survey. Input was provided on November 11, 2002. These statements should be removed.

See comment 8.

- Page 13 points out the problems with the Luevano consent decree dated 1981; however, despite several calls for reform of that process, OPM has not offered

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Comments on GAO 03-450 Draft Report – Opportunities to Improve Executive Agencies' Hiring Processes
April 11, 2003

a viable alternative despite the almost two and a half decades that have passed. The report even mentions that MSPB recommended the development of new tools in September 2002. To date, no significant action has been taken.

See comment 9.

- Page 13 contains information that indicates that examining for Administrative Careers with America (ACWA) positions has been delegated by OPM to agencies. What is not indicated is when this authority was delegated (not until October 2000) and the fact that the authority cannot be redelegated to our Components, requiring us to approve Component use. There are also additional requirements that are imposed on Delegated Examining Units (DEU) when they are examining for ACWA positions that are not described in the report.

See comment 10.

- On page 15 and on other occasions in the report, there is reference to OPM having something in their strategic plan that will solve a particular problem. Yet there is no analysis on what is being done to accomplish the tasks necessary to validate the strategic plan item.

See comment 11.

- On page 18 and in several instances throughout the report, credit was attributed to OPM for developing new guidance. The extent of agency involvement is not apparent. We caution in claiming success on the development of OPM government-wide regulations without looking at the content and determining if the implementation is onerous or too restrictive. OPM has not engaged agencies in participating in the development of government-wide regulations on the government-wide provisions found in the Homeland Security Act of 2002. The importance of agency involvement in the development of government-wide rules and regulations is critically important and cannot be overstated. Agencies are going to have to implement what OPM develops and we should have the opportunity to be part of the development process.

See comments 3 and 9.

- Finally, the "Recommendations For Executive Action" do not address many of the issues raised in these comments (e.g., timeliness, cooperative efforts). Most significantly, however, they do not address the need for OPM to review and revise policy and procedures that inhibit the staffing process.

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The following are GAO's comments on the Department of Defense's (DOD) letter dated April 14, 2003.

GAO Comments

1. We have clarified that our report only discusses new hires to the federal government, particularly focusing on the competitive service hiring process. We note that agencies can also fill positions through the internal merit selection process and other intergovernmental methods.

2. The statement that agencies have the primary responsibility for their hiring processes is a fact. Our report outlines several actions that the Office of Personnel Management (OPM) has taken to address many hiring problems. We agree that OPM could do more and have made several recommendations that address that conclusion.

3. DOD noted the lack of progress by OPM in addressing the job classification system and applicant assessment tools. We agree that OPM needs to do more and have included recommendations in that regard. It should be noted that agencies have the primary responsibility to address their hiring problems. Although some problems, such as the job classification system, are outside the control of agencies, others, such as development of assessment tools is within the responsibility and control of the agency. The Merit Systems Protection Board (MSPB) has pointed out that while agencies have the responsibility to develop assessment tools they often do not have the resources to do so.

   In addition, DOD said that implementing an automated hiring system like the one we describe at the U.S. Geological Survey (USGS) would take up to a decade because DOD is so large and diverse. DOD explains that converting from knowledge, skills, and abilities, to competencies takes a considerable amount of work. Although, USGS officials and we believe, and an independent study indicates that the specific USGS automated system has been successful, we are not endorsing a specific method of automation. Our larger point on this section is that automation can assist agencies with their hiring processes.

4. It is correct that we did not attempt to compare procedures and time lines for hiring before and after OPM delegated examining authority to agencies in 1996. Such a comparison probably would yield little value to today's discussion of hiring challenges.

5. DOD says the classification system has been studied from every angle without producing significant results and that more study is not needed. We believe that more analysis is needed to determine exactly how to either revise the classification system or develop an entirely new approach to determining job descriptions and pay determinations.

6. DOD asked that we explain why the number of new hires has increased since the mid-1990s. We have added text to the report that explains that hiring in the mid-1990s declined because many agencies were downsizing and did not need to fill positions. We also added that with the slowdown in downsizing and the increasing number of employees retiring, agencies are increasingly hiring new employees.

7. Our draft report had noted that DOD did not respond to our fall 2002 survey of human resources (HR) directors. DOD explained that it responded to our survey of HR directors in November 2002. However, we did not receive itd response until April 2003. We have now included DOD's response in our analysis of the 2002 HR director responses.

8. DOD points out that OPM has not taken any significant action to address problems related to the Luevano Consent Decree. We agree that the problems with the Luevano Consent Decree need to be addressed and have made a recommendation to OPM to review the effectiveness of the Outstanding Scholar and Bilingual/Bicultural Luevano Consent Decree hiring authorities.

9. DOD notes that examining for Administrative Careers with America (ACWA) positions was not delegated to agencies until October 2002 and that the authority cannot be redelegated to components. We have added this information to our report.

10. DOD noted that we did not analyze the planned actions in OPM's strategic plan. In several areas, we have outlined actions that OPM is currently taking to address some of the hiring challenges, including some areas specific to actions indicated in OPM's strategic plan.

11. DOD notes that our report credits OPM with developing new guidance in several human capital areas with no indication of the involvement of agencies. OPM has explained that one of the vehicles it has used to involve agencies is the Human Resources Management Council, an interagency organization of federal HR directors. It should be noted that the recently enacted Homeland Security Act of 2002 establishes an

Interagency Chief Human Capital Officer Council, which could replace the Human Resources Management Council.

GAO Contacts and Staff Acknowledgments

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